GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7249
ANSWERED ON:13.05.2005
REVENUE OF THE GOVERNMENT
Chinta Mohan Dr. ;Singh Shri Rajiv Ranjan (Lalan)

Will the Minister of FINANCE be pleased to state:

(a) the combined revenue of both the Union Government and the State Governments in proportion to the Gross Domestic Product (GDP) of the country;

(b) whether the Government has taken any decision to increase this percentage;

(c) if so, the details thereof;

(d) whether the VAT has been introduced in the country as a part of it; and

(e) if so, the additional revenue likely to be generated therefrom?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (c): The combined revenue of the Union and State Governments as a proportion of GDP was 19.3 per cent in 2003-04 (RE) and 19.7 per cent in 2004-05 (BE). Conscious of the need to sustain high rates of growth with macro economic stability, government has been taking a series of initiatives to augment revenue, restructure expenditure for the creation of productive assets and rein in deficits. These, inter alia, include widening the tax base through increased coverage under service tax net, phased removal of exemptions, recovery of tax arrears, maintaining soft interest rates and pension reforms. Furthermore, Central Government has been providing incentives to States to take up fiscal reforms, public sector restructuring and power sector reforms.

(d) & (e): Introduction of State-level Value Added Tax (VAT) from April 1, 2005 was another critical tax reform agenda. It is a State subject and the Central Government has played the role of a facilitator. Central Government has not made any official estimate for additional revenue gain from VAT. However, Central Government has assured a compensation package for States, if any State loses revenue on account of introducti on of VAT.